

# **East Sussex Pension Fund**

## **Local Government Pension Scheme (LGPS)**

### **ESFOA Pensions Update**

**December 2017**

#### **East Sussex Pension Fund External Investments**

The East Sussex Pension Fund has discussed its approach to Environmental, Social and Governance (ESG) over recent meetings. These discussions have taken in the potential financial impact on long term investments from ESG risks. The Pension Committee has engaged positively with ESG matters to date and will agree additional investment beliefs which relate specifically to incorporating ESG issues into the Committee's decision-making. The Committee has specifically considered climate change risk to its long term investment and has agreed to commission a measurement service which will provide data on the levels of carbon emissions and exposure to fossil fuel assets across the East Sussex Fund's range of equity investments. The committee are also considering a carbon tilt investment within its passive investment portfolio. The cornerstone of the Fund's policy on ethical investment is its interpretation of the Fund's fiduciary responsibility and legal position regarding its duty to secure the best realistic return over the long-term to meet the Fund's future commitments to beneficiaries whilst keeping employer contributions as low as possible.

#### **East Sussex Pension Fund – current structure**

The table below sets out a portfolio summary of each fund manager:

<b>Manager</b>	<b>Mandate</b>	<b>Investment Style</b>	<b>Date Appointed</b>	<b>Value £m 31 Oct 2017</b>
M&G	Bonds	Value	01/01/97	205.7
L & G	Passive	Passive	21/11/07	1,094.8
Ruffer	Multi Asset	Absolute Return	11/05/10	292.2
Newton	Multi Asset	Absolute Return	11/05/10	289.2
Schroders	Property	-	20/02/10	342.6
Longview	Global Equity	Neutral	19/04/13	243.6
State Street	Passive	Fundamental Indexation	06/08/13	686.9
Alternative * Investments	Various	-	Various	213.8
Northern Trust	Cash	-	01/09/02	55.4
<b>Total</b>				<b>3,424.2</b>

\* Includes Infrastructure & Private Equity

<b>Fund Value at 31 March 2017</b>	<b>Fund Value at 31 March 2016</b>	<b>Fund Value at 31 March 2015</b>
£3,334.8m	£2,766.6m	£2,741.7m

### **Automatic enrolment**

The LGA have updated their brief automatic enrolment guide in accordance with the Employers' Duties (Miscellaneous Amendments) Regulations 2017 which has the effect of aligning the timing of the deferral date in relation to postponement so that for staging and post-staging employers the period for which automatic enrolment can be deferred is the same.

The guide is available on the LGPS [website](#)

### **Publication of LGPS statistics for 2016/17**

DCLG have published their [annual statistics](#) on the LGPS in England and Wales, covering the 2016/17 scheme year.

The statistics are collated from the SF3 forms completed by LGPS funds each year and show the following:

- Total expenditure in 2016/17 was £11.8 billion, up £0.4 billion from 2015/16.
- Total income in 2016/17 was £14.7 billion, up £0.7 billion from 2015/16.
- Overall, total expenditure was 81% of income in 2016/17, the same as in 2015/16.
- The market value of LGPS funds was £259 billion at the end of March 2017, an increase of £45 billion or 21% on March 2016.
- Active membership was up to 1,964,000 in 2016/17, from 1,943,000 in 2015/16.
- Active membership as a proportion of total membership was 35.16% in 2016/17, down from 36.00% in 2015/16.

### **September 2017 rate of CPI**

On 17 October 2017, the Office for National Statistics (ONS) announced that the Consumer Prices Index (CPI) rate of inflation for September 2017 was 3.0%.

Government policy in recent years has been to base both pensions increase under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI for September of the previous year.

We await confirmation from the Government that revaluation and pensions increase for April 2018 will apply in the LGPS at a rate of 3.0%.

### **Scheme Advisory Board – Tier 3 employers review**

The Scheme Advisory Board has appointed an actuarial firm to help them in their review of Tier 3 employers in the LGPS. Tier 3 employers are all those with no tax-payer backing (i.e. colleges, universities, housing associations, charities and any admission bodies with no guarantee from a Council, academy or other tax-payer backed employer).

The aims of the exercise are to identify:

- the duties, benefits, issues and challenges for LGPS funds, Tier 3 employers and their scheme members with regard to their participation in the LGPS
- options for change that would improve the funding, administration, participation and member experience with regard to Tier 3 employers.

A key element of this project is to gather information from Tier 3 employers, and to help facilitate this, the ESPF will shortly be sending out an email to these employers to ask them to complete a short survey.

### **Legal opinion on the LGPS and GDPR**

The LGA have obtained a legal opinion from the legal firm Squire Patton Boggs on a number of questions that have been raised with the LGPC Secretariat regarding the implications of the EU's General Data Protection Regulation for the LGPS. GDPR provides for a new standard of data protection for individuals in the European Union and comes into force throughout the EU on 25 May 2018.

The opinion is available on the [legal opinions](#) page of [www.lgpsregs.org](http://www.lgpsregs.org).

### **LGPC Bulletins & Circulars**

The latest LGPC [Circular](#) and [Bulletin](#) contain information on a wide range of issues, some of which has been covered within this update.

### **2017 Annual Pension Forum**

The Annual Employer Forum for the East Sussex Pension Fund was held on the 3<sup>rd</sup> November 2017 at County Hall, Lewes. Employers had the opportunity to listen to a number of speakers who covered a range of topics. If you were not able to make it to the event, copies of the slides from the presentations from the day can be found on the ESPF [website](#).

### **Pensions Board update**

At the Pension Board meeting held on the 16 November 2017, agenda items considered included; LGPS Pooling – ACCESS update, Environmental, Social and Governance (ESG) report and Annual Benefit Statement update. The next meeting for the Pension Board will be held on the 8<sup>th</sup> February 2018.

Full agenda and minutes of these meeting are available on ESPF website following the link: <https://www.eastsussex.gov.uk/jobs/benefits/pensions/download/>

### **Contact Details:**

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